



## **INTERNAL AUDIT PLAN 2004/5**

### **RECOMMENDATION**

1. Cabinet is recommended to note the Internal Audit Plan for 2004/5

### **SUPPORTING INFORMATION**

- 2.1 Under the Council's Constitution, the Cabinet is responsible for monitoring performance. Internal audit is an activity reviewing the performance of systems and governance arrangements, and it is therefore appropriate for reports summarising the results of internal audit's review work to be brought back before Cabinet, on a periodic basis. This is provided for within Financial Procedure Rules and continues the practice established in 2003/4.
- 2.2 This accompanying Internal Audit Plan sets out the initial planned programme of audit reviews during 2004/5, the results from which will subsequently be reported back to Cabinet on a half yearly basis.
- 2.3 The focus of the planned audit review work is on key systems, whose failure could pose problems of such a scale to be significant for the Council at the corporate level. There is also a significant element of 'corporate governance audits', which will focus on issues where the level of risk could compromise the achievement of corporate priorities.
- 2.4 The Plan has been drawn up following a systematic process of risk assessment, carried out by senior internal auditors but informed by consultation with senior and chief officers and input from the Council's external auditors, PricewaterhouseCoopers (PwC). This process has produced 'audit risk scores' for all the Council's service areas. The plan has also been reviewed against risks separately identified through the Council's process for identifying strategic and departmental risks. Not all of these risks have an associated control framework that could be auditable, but the audit plan has been modified to ensure that the most relevant of the identified risks receive attention.
- 2.5 The programme will inevitably be subject to some changes during 2004/5, as there will also be a need to react to emerging issues, which cannot be planned for in advance. Achievement of the plan is also dependent upon the scale of resources available to the Audit and Governance Section in the year.

- 2.6 Two further reports on Internal Audit will be brought before Cabinet during 2004/5 – a report upon the outcome of 2003/4 audit review work, in the first quarter, and an interim report setting out progress against the 2004/5 audit programme.

<b>For more information contact:</b>	Richard Boneham, Head of Audit and Governance, 01332 255688
<b>Background papers:</b>	Internal Audit Risk Assessment 2004/5. Risk registers.
<b>List of appendices:</b>	Appendix 1- Implications Appendix 2 - Internal Audit Plan 2004/5

<b>IMPLICATIONS</b>
---------------------

**Financial**

- 1.1 The resources required to deliver the Audit Plan are provided for within the 2004/5 revenue budget. There are therefore no additional financial implications from adopting the Audit Plan.
- 1.2 Certain of the financial risks facing the Council are planned to be the subject of audit attention, in addition to the continuing audit of key financial systems.

**Legal**

- 2. Under the Accounts and Audit Regulations 2003, the Council is required to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices.

**Personnel**

- 3. None directly arising.

**Equalities impact**

- 4. None directly arising.

**Corporate objectives and priorities for change**

- 5. Internal Audit contributes through its review work on the major corporate risks to the Council achieving corporate objectives and priorities. This is achieved by the audit of key systems and corporate governance issues and the associated risks. The work of Internal Audit is also relevant to the priority of 'value for money' .



# Internal Audit Plan 2004/5

May 04

# Audit and Governance

## Internal Audit Plan

### 2004/5



TABLE OF CONTENTS.....	2
1 OVERVIEW .....	3
1.1 Focus For 2004/5 .....	3
1.2 Summary of the 2004/5 Plan .....	4
2 AUDIT RISK ASSESSMENT AND PLANNING.....	5
2.1 Risk Assessment Rationale.....	5
3 GENERAL AUDIT SERVICES .....	5
3.1 Emerging Issues.....	5
3.2 Consultancy / Advice.....	5
3.3 Irregularity / Special Investigations.....	5
3.4 Follow-up Audits.....	6
3.5 Brought Forward Jobs .....	6
4 SYSTEMS AND COMPLIANCE .....	6
4.1 Systems and Compliance Role .....	6
4.2 Systems and Compliance Themes .....	6
4.3 Finance Directorate.....	6
4.4 Policy Directorate .....	8
4.5 Corporate Services Directorate .....	8
4.6 Social Services.....	8
4.7 Education Service .....	8
4.8 Development and Cultural Services .....	9
4.9 Commercial Services.....	9
4.10 Other Audit Work.....	9
5 CORPORATE GOVERNANCE .....	10
5.1 Corporate Governance Role.....	10
5.2 Corporate Governance Themes.....	10
5.3 Other Corporate Governance Work.....	11
5.4 Contract Audit and Partnership Working.....	11
5.5 External Contracts .....	12
6 IT AUDIT .....	12
6.1 IT Audit Role.....	12
6.2 IT Audit Key Themes.....	12
6.3 IT Management Issues .....	13
6.4 IT Security and Control .....	13
6.5 System Reviews and Developments .....	14
6.6 Other IT Audit Work.....	15
7 Appendix A – Tactical Plan 2004/5 .....	17
Systems and Compliance .....	17
Corporate Governance.....	20
IT Audit.....	21
8 Appendix B – 2004/5 Risk Assessment Methodology .....	22
8.1 Risk Assessment Model .....	22
8.2 Audit Needs Assessment.....	24
8.3 Tactical Planning .....	24
8.4 Consultation Process .....	25
9 Appendix C – Use of Risk Registers .....	26
9.1 Risk Registers .....	26
9.2 Auditing the Risks.....	26

## 1 OVERVIEW

### 1.1 Focus For 2004/5

**1.1.1** This Plan sets out details of the planned focus of the Internal Audit and Governance Section in 2004/5.

**1.1.2** Planning the audit coverage in 2004/5 has taken into account several key developments which will influence not only the nature of audit reviews, but the way the Section operates. The following issues have influenced the 2004/5 Plan:

- The CIPFA Code of Practice for Internal Audit for Local Government in the UK was published in September 2003 and has set 10 Standards that all internal audit sections need to achieve. It also, more importantly, redefines internal audit as **“an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation’s objectives....”**. The content of the Plan is designed to provide a balanced approach to achieving this.
- CIPFA has also issued “Guidance on Internal Control and Risk Management in Principal Local Authorities and Other Relevant Bodies to Support Compliance with the Accounts and Audit Regulations 2003”. This guidance has been produced to outline the elements needed for the establishment and review of a system of internal control and risk management in local authorities in the context of the requirements of the Accounts and Audit Regulations 2003, to establish proper practices for the publication of a statement of internal control (SIC) and to provide a proforma statement on internal control. The 2004/5 Plan needs to consider the risks to the Council achieving its objectives and to ensure that controls are in place to mitigate them. The work of the Audit and Governance Section will contribute to the overall opinion on the internal control system that operates within the Council.
- The national focus of internal audit work is moving towards more risk-based approaches within a wider corporate governance role. This is reflected in the 2004/5 Plan. A greater emphasis on corporate risks has been included in the audit planning process. This has involved the use of the Corporate and Departmental Risk Registers to help inform the risk assessment of the Council, as well as focusing upon issues and systems whose failure could pose major risks to the Council as a whole.
- The increasing use of partnership working means that the focus of audit attention needs to be extended to third parties with whom the Council is working to deliver key objectives. Coupled with this is the high risk of contracts and agreements with other bodies/third parties for the provision of goods and services.
- Information technology audit continues to be important. This reflects the extent to which the Council’s key systems are computerised, the importance of local and national initiatives on information technology, and the need to review developments as part of e-Government. Computer assisted audit

techniques are being developed by the IT Audit team to the benefit of the Section as a whole.

## 1.2 Summary of the 2004/5 Plan

**1.2.1** The Audit Plan is based on the work of three audit teams:

- Systems and Compliance (1390 audit days)
- Corporate Governance (520 audit days)
- Information Technology (IT) Audit (440 audit days).

**1.2.2** The total planned allocation of productive time is 2350 audit days. Resources available to the Audit and Governance Section are under extreme pressure in 2004/5. The Section is having to balance a number of secondments away from the Section and vacant posts, with the need to buy in additional audit resources. For this reason, the Plan may need to be cut back if there is a lack of the necessary skills in the temporary internal auditor market. The Plan has been drawn up on the basis that 250 bought in days will be achieved. The cost of the Internal Audit and Governance Section in 2004/5 is £469,340.

**1.2.3** The Systems and Compliance team is responsible for work to review systems and compliance with those systems, including financial and other corporate systems as well as those specific to departments and establishments. Although the focus of this work is changing towards the former, where risks are generally perceived to be higher, there are obligations upon the Council to deliver certain more traditional audit work, which is reflected in the Plan.

**1.2.4** The focus of the Corporate Governance Team's audit work will be upon reviewing the adequacy of the arrangements that support the corporate governance agenda within the Council, with an emphasis on corporate risks. The time allocation of audit days is concentrated in this area. The team is also separately responsible for corporate initiatives to facilitate the embedding of risk management within the Council. Time for this has been allocated outside of the actual audit plan to build on the work started in 2003/4. Work will be carried out on the maintenance of the Corporate Risk Register, which is also used to inform revisions to the Audit Plan during the year and as a planning tool for subsequent audit plans. The team is also responsible for the audit of external contracts with Derby Homes and Derbyshire Fire Authority and for the provision of contract audit.

**1.2.5** The IT Audit team is responsible for reviewing the Council's IT systems and controls and provides a forensic facility to investigate the abuse of Council IT assets. It's other major function is to provide technical expertise to cope with the growing workload explained above and support the work of the other teams, particularly on audit work of the fundamental financial systems, through the use of CAATS.

**1.2.6** There is cooperation between the teams, to ensure that there is a coordinated approach towards issues where responsibilities overlap.

## 2 AUDIT RISK ASSESSMENT AND PLANNING

### 2.1 Risk Assessment Rationale

**2.1.1** Prioritisation of audit work is based on Risk Assessment. This enables Internal Audit management to evaluate the vulnerability of a particular system / auditable area in order that audit resources may be targeted at areas of greatest risk to the Council. It is in part based on subjective judgment, but modelling techniques are also used to ensure that the approach is systematic. In addition, the Council's External Auditors, Price Waterhouse Coopers (PwC), have been given the opportunity to comment upon the interpretation of risks.

**2.1.2** Through a comprehensive understanding of the Audit universe and the risk associated with each universe item / auditable area, risk assessment allows us to produce an Audit Needs Assessment and Strategic and Tactical Audit plans.

**2.1.3** Not all audit work can be conducted in accordance with internal risk assessments. Resources have also to be prioritised to ensure that the Council meets external expectations, even where associated risks are relatively small. An example is the frequency of schools audits.

**2.1.4** For details of Audit's Risk Assessment Model and how the exercise was undertaken see Appendix B.

**2.1.5** Details on how the Strategic and Departmental Risk Registers have informed the Plan are contained in Appendix C.

## 3 GENERAL AUDIT SERVICES

### 3.1 Emerging Issues

**3.1.1** Not all audit work can be planned one year in advance. Accordingly, each Audit team has built a contingency of days into the Plan to address issues that occur during the year which Audit need to be aware of and assess the risk implications for the Council. It is expected that these contingencies will be fully used, either to develop new auditable areas in revised audit plans or be included within existing audit areas.

### 3.2 Consultancy / Advice

**3.2.1** On an ad-hoc basis, Audit is called upon to provide risk and control advice on issues throughout the Council. This consultancy work is a very important service and requests for Audit input are considered to be a good measure of the quality of the Audit service and of the satisfaction of our customers. Accordingly, a contingency of days has been allocated to each service area / department contained in the 2004/5 Plan to set-aside time to provide this service.

### 3.3 Irregularity / Special Investigations

**3.3.1** Internal Audit may be involved in the investigation of suspected internal fraud, theft or major irregularity where there is some form of alleged financial irregularity, which may have resulted in financial loss to the Council. Under the new Code of



Practice this is deemed a non-assurance function, and therefore such work will only be undertaken if the availability of resources allows it.

**3.3.2** Effective managerial arrangements for the prevention and detection of fraud and corruption are essential if risk is to be minimised. Internal Auditors play an important role in ensuring that satisfactory control arrangements exist and are working as management intended. Such arrangements should act as a deterrent to anyone considering perpetrating a fraudulent or corrupt act.

### 3.4 Follow-up Audits

**3.4.1** Internal Audit is committed towards ensuring that its recommendations are acted upon and control improvements are achieved. To this end each team has planned a short amount of time to follow-up audit reports issued in the previous 6 – 12 months to establish the extent of managements implementation of Audit recommendations.

### 3.5 Brought Forward Jobs

**3.5.1** Each team will have incomplete audits from the 2003/4 Plan to conclude in 2004/5. Accordingly, each team has included in their Plan the time necessary to complete each unfinished audit from the previous year's audit plan.

## 4 SYSTEMS AND COMPLIANCE

### 4.1 Systems and Compliance Role

**4.1.1** The Systems and Compliance 2004/5 Audit Plan reflects the role of audit in providing management with an objective assessment of the effectiveness of the Council's internal control systems. It provides an independent and continuous appraisal of the activities of the Council and objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. It has an important role to play in securing effective financial management within the Council.

**4.1.2** This work will contribute to the compilation of the Statement of Internal Control in the Council's annual accounts.

### 4.2 Systems and Compliance Themes

**4.2.1** The 2004/5 Plan incorporates those areas of the Council's activities where the overall Risk assessment exercise has indicated a high level of risk.

**4.2.2** Audits have been categorised according to reporting lines. All planned work is shown within each department's total allocated days as far as possible.

### 4.3 Finance Directorate

**4.3.1** Responsibility for the Council's fundamental financial systems, which are key to the running of the Council, rests within this Directorate. Hence the majority of audits planned in the Directorate are reviews of the central control elements and associated risks of the fundamental financial systems. Under the Managed Audit concept, External Audit will review the work on the fundamental financial systems to

assist them when determining their opinion on the Council's annual accounts. The allocation of audit days for the review of control issues with regard to departmental use of the fundamental financial systems are included within the relevant department's section of the Plan.

#### **4.3.2 Audit will review the following:**

##### **Fundamental Financial Systems**

The Plan covers the Council's key financial systems including the general ledger, creditors, debtors, payroll, and cash receipting. The consequences of these system processes going wrong could lead to service failure and wasted resources. The audits will focus on the higher level monitoring (detective) controls, such as reconciliations, management review and exception reporting.

Days allocated to Housing Benefit, reflect the views of the Benefit Fraud Inspectorate on the need for audit coverage against the DWP Performance Standards.

On a departmental basis, the main areas for audit coverage of the fundamental financial systems are HR/Payroll, Debtors and Budgetary Control and Management.

##### **HR/Payroll**

Audit work on HR/Payroll is scheduled to be carried out in Social Services, Education, Development and Cultural Services and Commercial Services and will examine the application of the basic HR functions within the selected departments. This follows the implementation of the new HR led Vision payroll system. It will include a review of the procedures relating to new starters, leavers, variations and temporary placements and arrangements for management review.

##### **Debtors – Social Services**

The level of debt was raised as a risk within the Social Services Risk Assessment. The main consequences of this are Senior Managers spending time in resolving issues, additional administration time, delays in recovering payment, potential cash flow implications, the need to write off irrecoverable debts and the potential non-provision of direct services to service users. The audit will review those controls in place to mitigate the risks of any of the triggers occurring.

##### **Budgetary Control and Management – Social Services**

Although flagged up in the Strategic Risk Register, Social Services had highlighted in its risk assessment that it has many demand led budgets that provide a challenge as a result of the need to contain certain specific cost pressures coupled with a requirement to fund new service developments. The result is budgets overspend. The audit will review the approach towards budgetary control and initiatives to assist in containing costs by focusing on budgets where such control has proved difficult.

#### **National Fraud Initiative 2004**

Time has been included in the Plan in respect of the anticipated NFI 2004 exercise.

#### **Audit of the Risk Management Process**

Audit will review the process of embedding risk management within the Council. It will look at the controls over the maintenance of the Risk Register and how departmental risks are being managed.

#### **External Funding**

In respect of external funding elements, time has been included in the plan to review the monitoring of the Derventio project and to follow up the audit done in 2003/4 on the Going Places project.

## 4.4 Policy Directorate

**4.4.1** Audit will review the role of the Client in respect of monitoring of the agreement with Derby Homes and will also look at the collection of rents from the Client's perspective. Time has also been included within the Housing and Advice services to look at the control issues within the administering of Supporting People and to review the controls within the Right to Buy property sales systems.

## 4.5 Corporate Services Directorate

**4.5.1** The risk assessment process has highlighted markets as an area for review in 2004/5. This audit will review the adequacy and effectiveness of controls and whether Financial Procedure Rules have been adhered to.

## 4.6 Social Services

**4.6.1** The Social Services' Audit Plan will focus on the audit of systems as determined by the risk assessment process and also includes some time for establishment audits. Audit will review the following departmental specific systems:

#### **Fostering and Adoption**

The audit will review the adequacy of the systems in place for payments made in respect of foster care and adoption.

#### **Direct Payments**

The audit will review the systems surrounding documentation held in respect of payments made under the scheme.

#### **Adult Establishments**

The audit will look at the systems in place within establishments. This is in response to the number of incidents reported to Internal Audit in relation to client monies and will focus on cash handling and banking and control over Residents Funds.

## 4.7 Education Service

**4.7.1** Much of the 2004/5 Audit Plan for the Education Service concentrates on controls operating within the schools. This year the School Establishment Audits will be based on a risk assessment of each school. It is also intended to review the

controls in place for the accurate submission of pupil data from schools and subsequent use of this data by the LEA in relation to school funding.

**4.7.2** Audit will also review the controls in place within the systems for student awards and also at the level of control in operation within the Sure Start programme.

## 4.8 Development and Cultural Services

**4.8.1** The main departmental system prioritised for review in 2004/5 is that of Car Parks / On-Street Parking. This audit will review the controls in place for the collection and banking of income in respect of on-street and off-street parking.

## 4.9 Commercial Services

**4.9.1** The risk assessment process has prioritised Housing Repairs and Maintenance for audit coverage in 2004/5. This review will assess the controls within systems operated by Commercial Services for the operation of the contract with Derby Homes.

## 4.10 Other Audit Work

**4.10.1** Within each department, time has been set aside for other areas of audit work as follows:

### **Performance Management**

Audit work will focus on reviewing the validity of a sample of performance indicators for each department and assessing the adequacy of the systems for collecting and recording performance information.

### **Follow-up Audits**

All recommendations in audit reports are ranked into three categories, according to whether they represent a fundamental weakness, significant weakness or simply merit management's attention. As a result of this follow-up audits will be undertaken, in which all fundamental and significant weaknesses identified in audit reports will be followed-up to establish and report on progress on implementation.

### **Jobs brought forward from 2003/4**

This represents an estimate of the time required for the completion of audits started in 2003/4. It is anticipated that all testing will have been completed and the outstanding work will include finalising draft reports, review processes and the issue of draft reports for management's comments prior to the issue of final reports.

### **Emerging Issues / Advice / Investigations**

These are contingencies within the Plan to address issues that inevitably occur during the year.

## 5 CORPORATE GOVERNANCE

### 5.1 Corporate Governance Role

**5.1.1** In 2001, CIPFA/SOLACE issued a Framework on Corporate Governance which, it was agreed by Cabinet, would be used to develop a local code on corporate governance. The Council must be able to demonstrate that it is complying with the underlying principles of good governance, which are:

- Openness and inclusivity
- Integrity
- Accountability.

**5.1.2** Good corporate governance combines robust systems and processes with effective leadership and high standards of behaviour. It supports effective decision making. Organisations with good corporate governance have the capacity to maintain high-quality services and to deliver improvement, whereas poor corporate governance contributes to serious service and financial failures.

### 5.2 Corporate Governance Themes

**5.2.1** The review work in the Corporate Governance arena is based on ensuring that the Council continues to demonstrate good governance and supports the decision-making process from policy setting to execution. It will focus on those areas perceived as high risk in the Risk Registers to ensure that the Council has controls in place to mitigate these risks and thereby not be a barrier to achieving the corporate objectives.

**5.2.2** Emphasis will be placed on providing comparisons with 'best practice'. The main basis of such comparisons will be guidance that has been issued by relevant bodies including the Audit Commission, Chartered Institute of Public Finance and Accountancy and the Improvement and Development Agency. Where possible consideration will be given to the approach adopted by Councils that are deemed to be "Beacon" Authorities in specific services.

**5.2.3** Work on Corporate Governance in the Audit Plan will be concerned with the following corporate issues:

#### **Supporting People**

This review will examine the management arrangements and performance issues ahead of the Audit Commission inspection in September 2004.

#### **External Funding**

This review will examine the arrangements in place within the Council for the monitoring of performance by third parties in managing externally funded projects.

#### **Health and Safety**

Health and Safety issues were seen as significant risks within several departmental risk registers. This review will cover the adequacy of the processes for promoting Health and Safety within the Council and the level to which managers are aware of their responsibilities.

#### **Recruitment and Retention**

One of the main risks to come out of the corporate risk assessment process was the problem that many managers saw with recruitment and retention of experienced and adequately qualified staff. This review will examine the progress made within the Council during 2004/5 on initiatives to address the risks associated with the recruitment and retention of staff. It will also examine whether recommendations from the recent Audit Commission report on the issue could be implemented throughout the Council. The review is scheduled to be started in January 2005.

#### **Management of Projects**

The Strategic Risk Register has a risk assertion that there is a shortage of expertise in project management within the Council, resulting in projects not achieving their objectives in an effective manner. Based on a sample of current projects, this review will examine the adequacy of the management of projects by focusing on the identification and management of risk and the decision making process applied to the projects. The QUAD project will be included in the sample and this work will be linked to a separate contract audit of this project.

#### **Accommodation Planning**

The majority of Departmental Risk Registers highlight accommodation in terms of space and quality as a major risk issue. This review will involve an appraisal of the adequacy of the governance / management arrangements for future accommodation for the City Council.

### **5.3 Other Corporate Governance Work**

**5.3.1** The Corporate Governance Team is also responsible for leading on the embedding of risk management within the Council. Much of the work in 2004/5 will be concentrating on keeping the Corporate Risk Register up to date and checking progress of individual departments in addressing their risks.

### **5.4 Contract Audit and Partnership Working**

**5.4.1** It is Audit's responsibility to ensure that management establishes adequate systems to ensure that projects are controlled throughout, from their inception to post completion. The basic audit objectives are to ensure:

- The adherence to and effectiveness of controls over contracting activities, including the adherence to Contract Procedure Rules
- That contractual arrangements provide the cost effective provision of services.

**5.4.2** The audits planned for 2004/5 include:

#### **Private Finance Initiative**

Derby has a number of PFI schemes in hand or planned. The risks associated with these have been acknowledged in the Strategic Risk Register. The Plan includes time to review the management arrangements in place for procuring projects under PFI, in particular, Street Lighting .



**Partnership Working**

The audit will review the monitoring arrangements for partnership agreements where the Council are the Accountable Body. Funding of these agreements and the management of schemes through the use of partners, has been identified by Senior managers as a high level risk.

**QUAD**

This audit is a specific contract audit at the early stages of the QUAD media project, reflecting its priority in the Development and Cultural Services Risk Register.

**Review of Contract Procedure Rules**

This review will examine the extent to which the Contract Procedure Rules are being followed throughout the Council.

**Home to School Transport**

This review will look at the contracts in place to provide transport for pupils to and from school.

**Schools – Building Works**

This audit will focus on the processes between the Council and schools in relation to advice on building works.

## 5.5 External Contracts

**5.5.1** The 2004/5 Audit Plan includes the provision of an internal audit service to 3 external bodies, Derby Homes, Derbyshire Fire Authority and CLASP.

## 6 IT AUDIT

### 6.1 IT Audit Role

**6.1.1** IT Audit is the application of auditing skills to the technological aspects of the Council's processes. The following categories indicate where IT Audit services can be provided:

- IT Management Issues
- IT Security and Control
- IT System Reviews and Developments
- IT Audit Investigations
- Use of Computer Assisted Audit Techniques (CAATS)
- IT Audit Consultancy / Advice
- Emerging IT Issues
- Follow-up IT Audits
- IT Audit Jobs Brought Forward from 2003/4
- External IT Audit Contracts.

### 6.2 IT Audit Key Themes

**6.2.1** In 2004/5, IT Audit intends to get more involved with new IT developments and current IT projects than was the case in the previous year. It is our intention to provide control and security advice throughout a project's lifecycle. It is felt that it is

less expensive for the Council to address control weaknesses identified during the development stage, than it is to address them after the system has gone live.

**6.2.2** With the extra resources provided by the transfer of an Auditor post into the IT Audit team, IT Audit intends to provide more technical support than in the previous year to the Systems and Compliance Team in the provision of Managed Audits. IT Audit resources allocated to these audits, continue to be determined by the risk assessment process.

**6.2.3** The successful instigation of a forensic computing service in 2003/4, has prompted a larger provision of workdays for IT Audit Investigations than in the previous year. The contingency of workdays allocated to this subject is still considered to be a conservative estimate of the demand anticipated for our forensic services but is more realistic than provided in the previous year.

**6.2.4** IT Audit still intends to continue to drive the modernisation agenda in the Audit and Governance section, the development of the use of Computer Assisted Audit Techniques (CAATs) is an intrinsic part of the service's efficiency. CAATs can significantly improve the effectiveness and efficiency of audit assignments, as well as improve the overall management of the audit function.

**6.2.5** We will seek to secure contracts with external organisations and other Councils to provide them with an IT Audit service. An income budget of £7,000 has been set and it is planned to recover costs at a commercial rate.

## 6.3 IT Management Issues

**6.3.1** IT Audit can determine whether or not management arrangements and procedures achieve their objectives. Specifically having regard to the following:

- The strategic direction of IT within the Council
- The establishment of corporate standards and policies
- Alternative methods of IT service provision
- The procedures for ensuring value for money in acquiring IT facilities
- The mechanisms for ensuring effective financial management of IT resources.

**6.3.2** This year's risk assessment has not identified any areas with this category that require coverage in the 2004/5 plan.

## 6.4 IT Security and Control

**6.4.1** IT Audit has a key role to play in monitoring, testing and advising on the adequacy of IT security and controls across the Council as a whole. IT Audit will bring to management's attention any shortfall in the adequacy and effectiveness of the internal control procedures examined and the general IT security environment. IT Audit will emphasise the risks and opportunities of all forms of computer abuse.

**6.4.2** In reviewing IT security and control, IT Audit will have to give regard to the following:

- The control and security of IT assets
- The secure use of information and systems
- Central control of the IT infrastructure



- The detection, prevention and investigation of computer crime
- Compliance with statutes and corporate policies
- Controls that ensure business continuity
- The security and control of e-Business processes.

**6.4.3** The coverage in this area in the 2004/5 plan is as follows:

#### **Secure Use of Information and Systems – Controlling Remote Access**

This audit will focus on the security and control issues arising from the ICT Division's pilot project to provide remote broadband access to Councillors during 2004. This remote access solution is likely to be rolled out across all parts of the Council and will have a potential for significant impact. Although this is not the only solution the Council is considering to allow remote and home working in a controlled and secure environment, it is anticipated that it will be a long-term solution for some workers.

#### **Statutory and Corporate Compliance – Compliance with Data Protection Act**

This audit will focus on the controls and procedures which ensure that:

- the Council has an effective Data Protection System
- the Council's Data Protection systems and procedures are properly and consistently applied with the support of adequate documentation
- the Council considers its key management systems / standards when developing the Data Protection Systems and the impact of the Data Protection Act in its development of its new business processes.

#### **Business Continuity – Disaster Recovery**

This audit will focus on the security and control issues arising from the ICT Division's Disaster Recovery project which is yet to be fully scoped but which is considered to have a potentially significant impact on the ICT Division.

#### **e-Business – Derbyshire e-Government Partnership Programme**

The Council has committed to six of the Derbyshire e-Government partnership projects. IT Audit's involvement will be to focus on the security and control issues arising from the Council's involvement in each of these projects.

## 6.5 System Reviews and Developments

**6.5.1** IT Audit's role in relation to IT systems is to provide assurance on the effectiveness of procedures for managing and controlling the development of bespoke systems and the adaptation of packaged software as well as reviewing the effectiveness, integrity and completeness of controls within computerised applications.

**6.5.2** IT Audit has identified many different IT applications throughout the Council, and has separated its systems reviews and developments into the following categories:

- **Managed Audit IT Systems** - These are the major financial systems which have been identified by the Council's External Auditors as forming part of the

Managed Audit approach and consequently require additional coverage by Audit and Governance.

- **Other IT Systems** – These are the other IT systems found in the Council's Departments which, although not significantly contributing to the Council's financial accounts, do have major significance in controlling and administering the Council's core activities and functions.
- **End User Computing** – These are usually less significant systems that have been developed in-house using databases and spreadsheets. They are not normally subjected to the same procedural controls that should be in place in bespoke systems and packaged software nor are they necessarily developed with the same level of expertise.
- **New IT Developments** - IT Audit provides a consultancy role on risk and control matters. It is management's role to take the decisions on such projects, but IT Audit can provide an independent view on risks and controls during the design and development process. IT Audit can also provide an independent Project Assurance service on behalf of any Project Boards for any of the Council's IT related projects managed using PRINCE II. IT Audit can also provide assurance through a post implementation review of the system and project performance, reviewing both the technical and business objectives.

**6.5.3** The coverage in this area in the 2004/5 plan is as follows:

#### **Managed Audit IT Systems – Rents, Treasury Management, Creditors, Cash Receipting, Benefits and NNDR**

It is our intention to continue to supplement the Managed Audits being undertaken by the Systems and Compliance Team, by facilitating more efficient and/or effective sampling and testing routines with the help of Computer Assisted Audit Techniques (CAATs).

#### **New IT Developments – Contingency**

A contingency has been set aside in the IT Audit Plan to provide input into new developments yet to be identified. New developments pose a great deal of risk to the Council, but are difficult to risk assess individually without knowing the detail of each proposal. A number of new IT projects are delivered each year, some from the e-Derby budget. IT Audit will be involved in the Technology Planning Group which should consider all proposals for IT development projects. From our participation in this Group we hope to identify where IT Audit input is required.

## 6.6 Other IT Audit Work

#### **IT Audit Investigations – Contingency**

IT Audit will assist in or undertake the investigation of suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources where IT is believed to be involved, where necessary using appropriate CAATs. The IT Audit Team will facilitate the provision of forensic computing skills as and when computer evidence is required.

**Computer Assisted Audit Techniques (CAATS) – Contingency**

IT Audit will facilitate the wider use of CAATS within the Audit and Governance Section. IT Audit will facilitate enhanced fraud detection techniques, by using data retrieval and analysis software to develop improved testing strategies for the Council's computer held data.

**IT Audit Consultancy / Advice – Contingency**

IT Audit will endeavour to provide ad-hoc advice throughout the Council on the risks and controls relating to IT issues.

**Emerging IT Issues – Contingency**

These are contingencies within the Plan to address issues that inevitably occur during the year.

**Follow-up IT Audits – Contingency**

We intend to follow-up all the IT Audit recommendations made in 2003/4 to establish what management has done to address the control weaknesses. We will make further recommendations if any of the matters previously raised have not been adequately addressed.

**Jobs brought forward from 2003/4 – Contingency**

This represents an estimate of the time required for the completion of IT audits started in 2003/4 which have not been completed by 31 March 2004. It is anticipated that the majority of the fieldwork will have been completed and the outstanding work will include finalising draft reports, the review process and the issue of draft reports for management's comments prior to the issue of final reports.

**External Contracts – Contingency**

A dedicated IT Audit service is a rare commodity in Local Government. The smaller Councils rely on general Internal Audit staff to provide their IT Audit coverage. This coverage tends to lean to the areas of IT Audit which demand less technical skill and is usually supplemented with the services of their External Auditors to provide the cover required to comply with statutory responsibilities. Smaller Councils often use the IT Audit resources of other larger organisations for a short period, to provide a cost-effective and professional service. We will embrace the business opportunity available to the Council to provide an IT Audit service to other Councils and organisations.

## 7 Appendix A – Tactical Plan 2004/5

<b>Systems and Compliance</b>	<b>Tactical (Annual) Plan</b>	<b>Audit Risk Score</b>	<b>Risk Register (AppC)</b>
<b>Finance Directorate</b>			
Corporate Finance			
Grant Claims	20	49	Q
Accounting Systems	20	46	Q
Budgetary Control and Management	20	37	Q
Treasury Management	20	46	Q
Fixed Assets	20	42	
NFI	10	42	
External Funding	25	41	Q
Audit of Risk Management Processes	15	60	
Financial Services			
HR / Payroll / Costing	25	64	Q,U
Creditors	20	46	R
Debtors	20	46	Q,R,T
Revenues and Benefits			
Cashiers	20	50	Q
Housing Benefits	100	65	Q
Benefit Inspection Service	25	48	Q
Council Tax	25	60	Q
NNDR	25	57	Q
Other Audit Work			
Performance Management incl. Specific Pi's	5		
Brought Forward Audits	67		
Follow-up Audits	15		
Emerging Issues	2		
Advice	4		
Investigations	10		
<b>SUB-TOTAL DAYS</b>	<b>513</b>		
<b>Policy Directorate</b>			
Housing and Advice Services			
Supporting People	25	59	
Right To Buy	20	51	
Community Policy			
Derby Homes – Client Monitoring	30	60	
Other Audit Work			
Performance Management incl. Specific Pi's	10		
Brought Forward Audits	35		
Follow-up Audits	10		
Emerging Issues	2		
Advice	4		
Investigations	15		
<b>SUB-TOTAL DAYS</b>	<b>151</b>		

# Audit and Governance Internal Audit Plan 2004/5



<b>Systems and Compliance</b>	<b>Tactical (Annual) Plan</b>	<b>Audit Risk Score</b>	<b>Risk Register (AppC)</b>
<b>Corporate Services Directorate</b>			
Property Services			
Markets	10	47	
Other Audit Work			
Brought Forward Audits	5		
Emerging Issues	2		
Advice	4		
Investigations	15		
<b>SUB-TOTAL DAYS</b>	<b>36</b>		
<b>Social Services</b>			
Performance Management and Resources			
HR/Payroll	20	54	U
Budgetary Control and Management	30	51	A
Debtors	20	30	P,T
Children and Family Services			
Adoption and Fostering (Payments)	20	52	L
Community Care			
Direct payments	20	41	
Adult Establishments			
Cash Receipting and Banking	10	31	
Residents Funds	10	40	
Other Audit Work			
Performance Management incl. Specific Pi's	10		N
Brought Forward Audits	9		
Follow-up Audits	10		
Emerging Issues	5		
Advice	6		
Investigations	20		
<b>SUB-TOTAL DAYS</b>	<b>190</b>		
<b>Education Service</b>			
Schools Systems			
Pupil Numbers (PLASC)	20	49	
HR/Payroll	20	54	U
Schools Establishments	190		
Lifelong Learning and Community Services			
Sure Start	10	51	
Student Awards	20	42	
Resources and Strategic Planning			
HR/Payroll	20	52	U
Other Audit Work			
Performance Management incl. Specific Pi's	5		J
Brought Forward Audits	20		
Follow-up Audits	15		
Emerging Issues	5		
Advice	6		
Investigations	15		
<b>SUB-TOTAL DAYS</b>	<b>346</b>		

# Audit and Governance

## Internal Audit Plan

### 2004/5



<b>Systems and Compliance</b>	<b>Tactical (Annual) Plan</b>	<b>Audit Risk Score</b>	<b>Risk Register (AppC)</b>
<b>Development and Cultural Services</b>			
Business Support			
HR/Payroll	20	54	U
Highways, Transportation and Waste Management			
Car Parks / Street Parking	20	43	
Other Audit Work			
Performance Management incl. Specific Pi's	10		
Brought Forward Audits	2		
Emerging Issues	2		
Advice	4		
Investigations	10		
<b>SUB-TOTAL DAYS</b>	<b>68</b>		
<b>Commercial Services</b>			
Finance and Administration			
HR/Payroll	20	54	U
Facilities Management			
Housing Repairs and Maintenance Contract	25	61	
Other Audit Work			
Performance Management incl. Specific Pi's	5		
Brought Forward Audits	4		
Follow-up Audits	10		
Emerging Issues	2		
Advice	3		
Investigations	10		
<b>SUB-TOTAL DAYS</b>	<b>79</b>		
<b>External Bodies</b>			
DREP	3		
Sports Co-ordination programme	4		
<b>SUB-TOTAL DAYS</b>	<b>7</b>		
<b>TOTAL DAYS</b>	<b>1390</b>		

# Audit and Governance

## Internal Audit Plan

### 2004/5



<b>Corporate Governance</b>		<b>Tactical (Annual) Plan</b>	<b>Risk Score</b>	<b>Risk Register (AppC)</b>
Corporate Governance				
Corporate Governance / Risk Reviews				
	External Funding	25	65	W
	Health and Safety	20	55	I,M,A1
	Recruitment and Retention	25	66	D,G,K,L, V,X,Z
	Management of Projects	25	69	E,O,Y
	Accommodation Planning	25	58	H
	Supporting People	30	67	
	Performance Management - LPSA	25	41	C
External Contracts		140		
Contract Audit /External Partnerships				
	Partnership Working	25	59	O
	QUAD	15	59	Y
	PFI – Street Lighting	30	61	F
	Other PFI Schemes	10	56	F
	Contract Procedure Rules	25	50	
	Home to School Transport	30	43	
	Schools – Building Works	30	61	
Follow-up Audits	Contingency	5		
Brought Forward Audits	Contingency	20		
Investigations		15		
TOTAL DAYS		<b>520</b>		

# Audit and Governance

## Internal Audit Plan

### 2004/5



IT Audit		Tactical (Annual) Plan	Risk Score	Risk Register (AppC)
<b>IT Security and Control</b>				
Secure Use of Information and Systems			50	
	Controlling Remote Access	25		
Statutory and Corporate Compliance			49	
	Compliance with Data Protection Act	25		
Business Continuity			47	
	Disaster Recovery	25		
e-Business			54	
	Derbyshire e-Government Partnership Programme	30		S
<b>Systems Reviews and Developments</b>				
Managed Audit IT Systems				
	Rents	20	54	
	Treasury Management	15	47	
	Creditors	10	50	
	Cash Receipting	15	50	
	Benefits	15	64	
	NNDR	15	50	
New IT Developments		60	64	B
<b>Other IT Audit Work</b>				
	Emerging IT Issues	10		
	Computer Assisted Audit Techniques (CAATs)	40		
	Brought Forward Audits	30		
	Follow-up Audits	15		
	External Contracts	20		
	IT Audit Advice	10		
	IT Audit Investigations	60		
TOTAL DAYS		440		



## 8 Appendix B – 2004/5 Risk Assessment Methodology

### 8.1 Risk Assessment Model

**8.1.1** For the 2004/5 risk assessment model we have chosen the following eight risk factors which encapsulate the risks in the Audit universe:

- Materiality - Potentially, how much money could the Council lose if this auditable area is not properly controlled?
- Criticality - How critical is this function to the effective running of the Council's core activities?
- Sensitivity - How important is this auditable area in the opinion of corporate management?
- Strategic Effect - How does this function affect the Council's long term aims and objectives?
- Changes - How much have things changed in this auditable area since audit were last involved?
- Complexity - How complicated is this auditable area?
- Review Process - How long has it been since this auditable area has been looked at?
- Inherent Risk - How susceptible is this auditable area to fraud and irregularity?

**8.1.2** Risk is composed of the two elements: likelihood and impact. The first four risk factors listed above relate to the impact if the risks were to occur; the last four are concerning the likelihood of the risks occurring.

**8.1.3** We have decided that each risk factor should be subject to a multiplier of between one and five (see Fig. 1).

**Fig. 1 Risk Factor Weightings**

Risk Factors	Weighting Between 1 & 5
Measures of Impact	
Materiality	4
Criticality	5
Sensitivity	4
Strategic effect	3
Measures of Likelihood	
Changes	4
Complexity	3
Review Process	2
Inherent Risks	5

**8.1.4** Two officers have independently scored the risk factors, between one and five, for each auditable area. They have compared their scores and resolved any

differences through discussion of their reasoning behind their scores. An agreed score for each risk factor has been arrived at.

**8.1.5** After the scoring ranges and weightings were determined, the risk scores have been stratified to determine the priority of each audit. The risk scores have been stratified to determine the frequency of review and the number of days to be allocated to the audit.

**8.1.6** Our risk model automatically determines which auditable areas will be looked at more often than others. Those areas with risk scores in the higher frequency stratifications should be looked at more often than those with lower risk scores. It has been decided that the frequency of audit coverage will range from annually to every five years. The range of risk scores possible, given the range of scores and weightings, span from 14 to 74. This range has been split evenly into five categories, which are shown at Fig 2. The risk model allows the calculated frequency to be over-ridden, if we are aware of other considerations which affect our view on the required frequency of coverage for a particular area.

**Fig. 2 Frequency of Coverage Bandings**

Risk Score		Frequency Rating	Every 'x' Years
Greater than or Equal to	Less than		
14	26	Low	5
26	38	Low / Med	4
38	50	Medium	3
50	62	Med / High	2
62	74	High	1

**8.1.7** Similarly, The auditable areas with risk scores in the highest workday stratification should be allocated more time than those with lower risk scores. It has been decided that the following workday allocations will be applied to each type of Audit work.

**Fig. 3 Workday Allocation Bandings**

Risk Score			Days Allocated		
Greater than or Equal to	Less than	Coverage Rating	Corporate Governance	Systems & Compliance	IT Audit
14	34	Low	30	15	20
34	54	Medium	35	20	25
54	74	High	40	25	30

**8.1.8** The range of risk scores possible, given the range of scores and weightings, span from 14 to 74. This range has been split evenly into three categories of High, Medium and Low risk. This can be shown as a matrix. See Fig 4.

**Fig. 4 Risk Score Matrix**

Impact	80	8.94	33	40	45	51	55	60	64	67	71	74
	73	8.54	31	38	43	48	53	57	61	64	68	71
	66	8.11	30	36	41	46	50	54	58	61	64	67
	59	7.66	28	34	39	43	47	51	54	58	61	64
	52	7.18	26	32	36	41	44	48	51	54	57	60
	44	6.67	24	29	34	38	41	44	47	50	53	55
	37	6.11	22	27	31	34	38	41	43	46	48	51
	30	5.50	20	24	28	31	34	36	39	41	43	45
	23	4.81	17	21	24	27	29	32	34	36	38	40
	16	4.00	14	17	20	22	24	26	28	30	31	33
SqRt			3.74	4.50	5.14	5.72	6.24	6.72	7.16	7.59	7.99	8.37
			14	20	26	33	39	45	51	58	64	70
Likelihood												

**8.1.9** Once the scores for each auditable area have been input to the risk model, along with the date when the area was last audited, the risk model will automatically generate a five-year rolling plan of suggested audit coverage for those auditable areas that can be risk assessed. Those areas of audit coverage that require a contingency of days to be planned also need to be determined.

## 8.2 Audit Needs Assessment

**8.2.1** By taking a simple average of the five-year rolling plan of suggested audit coverage, we derive an assessment of audit's resource needs based on the identified audit universe. This only gives an indication of the resources required to provide sufficient coverage of the auditable areas identified. The availability and cost of audit resources are limiting factors when it comes to audit coverage. Accordingly, the audit planning process brings together the idealism of needs with the reality of resource availability.

## 8.3 Tactical Planning

**8.3.1** To create an achievable tactical plan the first year of the five-year rolling plan needs to be adjusted to fit with resources available. The number of available days is determined by planning the unavailable time, such as absences, training, management, administration and development for each officer in Audit.

**8.3.2** Decisions are taken as to which auditable areas need to be dropped from the plan by comparing those audits proposed in the first year of the five-year rolling plan and considering their relative merits when deciding whether or not to keep them in the tactical plan.

**8.3.3** Our risk model allows us to determine a cut-off risk score, whereby any auditable area with a score below our specified score will not be included in the tactical plan. This allows us to reduce the number of planned jobs, by level of risk, to match with the resources available to each Audit Team.

**8.3.4** Not all areas of Audit's scope can be risk assessed. Certain areas are demand led and require a contingency of days (usually determined by past experience and limited by available resources) to be set-aside in the plan to enable this work to be undertaken (e.g. Audit Advice, Investigations, Emerging IT Issues, New Developments). The days planned for External Contracts are in accordance with the agreements made with those organisations for 2004/5.

**8.3.5** A number of days must be planned for those jobs from the 2003/4 Plan that are not complete at the year-end. This figure can only be an estimate as the final figure will not be apparent until closer to the year-end.

**8.3.6** A number of days must also be planned to follow-up the recommendations made in the reports generated from the 2003/4 audits.

## 8.4 Consultation Process

**8.4.1** Management are consulted on the proposed tactical plan and their views have been taken account of before producing the final, ranked list of auditable areas requiring Audit attention.

**8.4.2** Discussions have also been undertaken with the External Auditors to ensure that the proposed coverage is in accordance with the Managed Audit approach and does not duplicate any work they propose.

## 9 Appendix C – Use of Risk Registers

### 9.1 Risk Registers

**9.1.1** In 2003/04, Zurich Municipal Management Services conducted a desk-based exercise to identify key risk using published Council documentation audit information and experience from other Unitary authorities. From this they created possible risk scenarios that were presented to the Chief Officers Group, to validate as a true reflection of the Council's risk, and to score the risks on likelihood and impact and allocate a risk owner.

**9.1.2** Chief Officers reviewed the risk matrix and decided the Council's risk appetite. All of the risks that fell within the red or amber areas of the matrix were assessed as requiring management action plans to control the risk.

**9.1.3** The Strategic Risk Register was presented to and approved by Cabinet.

**9.1.4** A decision was undertaken by the Chief Officers to include the risk assessment procedure as part of the Business Planning Process undertaken in 2003/04. Each Department/Directorate identified and assessed the risks that they felt could prevent them from achieving their objectives in the forthcoming year. The risks will be built into that departments/directorates business plan including actions to mitigate the risk.

**9.1.5** The Strategic Risk Register and Departmental/Directorate Risk Registers will be reviewed by Senior Management on an annual basis to ensure that they are a true reflection of what they perceive as the Council's risks.

**9.1.6** The 2004/5 Audit plan has made reference to both the strategic risk register and the individual departmental risk registers to inform our overall risk assessment.

### 9.2 Auditing the Risks

**9.2.1** The Corporate Risk Assessment process, particularly the compilation of a Risk register is very much in its infancy within the Council. As the process matures and becomes embedded within the Council, the information that can be gleaned from it for the Audit Planning process will be greatly improved. During 2004/5, the Audit and Governance section will develop methods for analysing the risks and turning them into auditable control issues.

**9.2.2** The links between the Risk Registers and the 2004/5 Audit Plan areas are shown below. These have also been cross-referenced to the Plan in Appendix 1

## Strategic Risks

Ref	Red Risks	2004/5 Audit Plan Coverage
A	Many of the Council's services are demand led (e.g. Social Services). Where demand is higher than budget, then overspends occur.	Social Services – Budgetary Control and Management
B	Management information is contained within diverse non-integrated systems and there are gaps in data/information, hence decisions could be made on inadequate management information.	IT Audit is involved in auditing new IT developments and will advise on adequacy of data.
C	Council has agreed a Public Service Agreement and the achievement of some stretching targets, which brings with it the promise of funding, but only if targets, are achieved.	Governance Audit – Performance Management -LPSA
<b>Amber Risks</b>		
D	There is a difficulty for the Council and its partner's in service provision to recruit and retain staff due to competition from other organisations. This causes the Council and its partners to lose staff and key posts remain unfilled and take unacceptable lengths of time to fill.	Governance Audit – Recruitment and Retention
E	There is a shortage of expertise in project management across Councils, (especially among managers) and more formal training in this area and in workforce development is needed. Projects are not effective in achieving their objectives.	Governance Audit - Management of Projects
F	Public private finance and public private partnerships are considered the only 'game in town' for raising significant amounts of capital funding and could be badly procured or badly managed. Derby has a number of PFI initiatives in hand or planned and these require embedded skills in procurement and contract management over the long-term projects (25 years). A badly procured or managed project could fail or not achieve the initial objectives or priorities.	Contract Audit – Audit of PFI schemes

## Service Risks

Education Service		
Red Risks		
G	There are not enough suitably qualified and experienced people to cover the range of positions available. Added pressure comes from competing with other Authorities or by moving staff from other positions that then remain unfilled.	Governance Audit – Recruitment and Retention
H	Accommodation is a barrier to effective working Inflexible and overcrowded working areas	Governance Audit – Accommodation Planning
I	Staff in frontline positions at risk of assault.	Governance Audit – Health and Safety
J	Education have a number of targets to meet for CPA and the service is concentrated on achieving these targets	Governance Audit – Performance Management

Social Services		
Red Risks		
K	Inability to recruit and retain suitably qualified staff	Governance Audit – Recruitment and Retention
L	Inability to create necessary and retain cost effective capacity to meet demand for services for Foster Carers	Governance Audit – Recruitment and Retention
M	Breach in Health and Safety regulations including Assault/ accident involving staff member(s)	Governance Audit – Health and Safety
N	Social Services have been given a 2 star rating from Performance Assessment Framework. Social Services recognises it has some weaknesses.	Governance Audit – Performance Management
Amber risks		
O	Commissioning capacity in order to develop and deliver affordable and cost effective services, including partnerships	Governance Audit – Management of Projects Contract Audit – Partnership Working
P	Debt levels	Systems and Compliance Audit – Debtors

Finance Directorate		
Red Risks		
Q	Processes and procedures may not be applied properly	Systems and Compliance Audits – Fundamental financial system audits and individual systems audits will report on adherence to processes and procedures



# Audit and Governance

## Internal Audit Plan

### 2004/5



	Amber risks	
R	Over reliance on key staff in Financial Services and there is no contingency plan if a number of staff were unavailable	Governance Audit – Recruitment and Retention Systems and Compliance Audits – audits of creditors, debtors, payroll etc will address any control issues
S	The Department has a number of ICT based contracts and partnerships in place which are relied upon to support the delivery of the service	IT Audits – reviewed through a number of audits of key IT systems.
T	Non-recovery of debt	Systems and Compliance Audit - Debtors

	Policy Directorate	
	Red Risks	
U	An investment has been made into a new HR and Payroll System. In order for the system to meet its full potential, the employee data entered by all departments needs to be complete and accurate	Systems and Compliance Audits – HR/Payroll system will address completeness of data held
V	Inability to recruit and retain qualified staff especially in Neighbourhood Renewal and Regeneration, Surveying and Homelessness.	Governance Audit – Recruitment and Retention
W	Many of the Policy Directorate services are reliant on external funding. Work has yet to start on exit strategies.	Governance Audit – External Funding

	Development & Cultural Services	
	Red Risks	
X	There is a difficulty for the Development and Cultural (Planning and Building Control) to recruit and retain staff.	Governance Audit – Recruitment and Retention
Y	QUAD Funding does not materialise or a QUAD partner leaves the group (Visual arts and media centre for Derby)	Governance Audit – Management of Projects Contract Audit – QUAD

	Commercial Services	
	Red Risks	
Z	There is a difficulty for the Council to recruit and retain staff due to competition from other organisations for staff. This causes the Council to lose staff	Governance Audit – Recruitment and Retention
A 1	Inspections need to be conducted and recorded at all parks, cemeteries and of road trees, any defects found need to be put right. The inspection should include play equipment, paths, trees, railings etc	Governance Audit – Health and Safety